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July 12, 2006

Hand Delivered

Mr. Charles Terreni
Chief Clerk Administrator
Public Service Commission of South Carolina
101 Executive Center Drive
Columbia, South Carolina 29210

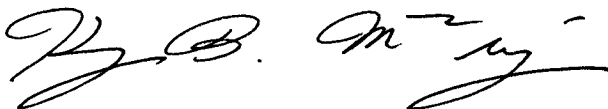
RE: Docket Number 2006-4-G
Annual Review of the Purchased Gas Adjustment
and Gas Purchasing Policies
Our File: 02615/01522

Dear Mr. Terreni:

Pursuant to 26 S.C. Code Ann. Regs. 103-869(C)(Supp.2006) and the March 13, 2006 Docketing Department letter establishing dates for prefiled testimony, enclosed please find an original and 26 copies of the *Rebuttal Testimony of Ann H. Boggs on Behalf of Piedmont Natural Gas Company, Inc.* in the docket shown above. Please accept the original and 25 copies of the rebuttal testimony for filing and return the additional "filed" stamped copy to my courier.

Thank you for your assistance with this matter. If you have any questions about this filing you may reach me at the number shown above.

Sincerely,



Kerry B. McTigue

Enclosures

RETURN DATE: OK
SERVICE: OK
OK D. Duke

July 12, 2006

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cc: Mr. Jeffrey Nelson, ORS
Ms. C. Lessie Hammonds, ORS
Mr. Scott Elliott
Ms. Jane Lewis-Raymond
Mr. David Carpenter
Ms. Ann Boggs

CERTIFICATE OF SERVICE

The undersigned hereby certifies that five copies of the attached *Rebuttal Testimony of Ann H. Boggs on Behalf of Piedmont Natural Gas Company, Inc.* are being served this date via Hand Delivery upon:

Jeffrey M. Nelson
C. Lessie Hammonds
Office of Regulatory Staff
1441 Main Street
Suite 300
Columbia, South Carolina 29201


And that one copy of the attached *Rebuttal Testimony of Ann H. Boggs on Behalf of Piedmont Natural Gas Company, Inc.* is being served this date electronically and via U.S. Mail upon:

Scott Elliott
Elliott & Elliott, PA
721 Olive Street
Columbia, South Carolina 29205

Jane Lewis-Raymond
Vice President & General Counsel
Piedmont Natural Gas Company, Inc.
P.O. Box 33068
Charlotte, North Carolina 28233

David Carpenter
Managing Director Regulatory Affairs
Piedmont Natural Gas Company, Inc.
P.O. Box 33068
Charlotte, North Carolina 28233

This the 12th day of July, 2006.


Kerry B. McTigue

**Before The
Public Service Commission of South Carolina**

Docket No. 2006-4-G

**Annual Review of Purchased Gas Adjustment and
Gas Purchasing Policies of Piedmont Natural Gas Company**

FILED
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**Rebuttal Testimony
Of
Ann H. Boggs
On Behalf Of
Piedmont Natural Gas Company, Inc.**



July 12, 2006

1 **Q. Please state your name and business address.**

2 A. My name is Ann H. Boggs. My business address is 4720 Piedmont Row
3 Drive, Charlotte, North Carolina.

4 **Q. What is your position and what are your responsibilities with**
5 **Piedmont Natural Gas Company ("Piedmont")?**

6 A. I am Director of Gas Accounting at Piedmont. In this position, I directly
7 supervise and am responsible for the recording of all accounting entries
8 relating to gas expenses and gas inventory.

9 **Q. Are you the same Ann Boggs that filed direct testimony in this**
10 **proceeding?**

11 A. Yes.

12 **Q. What is the purpose of your rebuttal testimony?**

13 A. The purpose of my rebuttal testimony is to respond to several matters raised
14 in the prepared direct testimony of Office of Regulatory Staff ("ORS")
15 witnesses Roy H. Barnette and Carey M. Flynt.

16 **Q. What matters are you referring to specifically?**

17 A. I wish to address the following matters raised in the direct testimony of Ms.
18 Flynt and Mr. Barnette: (1) the proposal to change the interest rate
19 applicable to Account No. 253.04 to 7.0% effective November 1, 2006 set
20 forth in Ms. Flynt's testimony; (2) the proposal to adjust the method of
21 accounting for the net results of the Company's hedging program activities

1 set forth in Mr. Barnette's testimony; (3) the proposed accounting
2 adjustments to the Company's end-of-period balance in Account No.
3 253.04 set forth in Mr. Barnette's testimony; and (4) the LNG Tank
4 inventory issue mentioned in both Ms. Flynt and Mr. Barnette's testimony.

5 **Q. What is Piedmont's position on the ORS proposal to change the interest**
6 **rate applicable to balances in Account No. 253.04 , effective November 1,**
7 **2006, to 7.0% ?**

8 A. We support that change. As Ms. Flynt testified, this change would help
9 bring the interest rate applicable to Piedmont's deferred gas costs more in
10 line with rates approved by the Commission for other similar types of
11 deferred accounts applicable to natural gas and electric utilities subject to
12 the jurisdiction of this Commission.

13 **Q. What is Piedmont's reaction to Mr. Barnette's proposal to adjust the**
14 **PGA mechanism such that the results of Piedmont's hedging activities**
15 **will be recorded in Account No. 253.04 on a monthly basis?**

16 A. We support that recommendation because it will ease the administrative
17 burden for all parties associated with managing and reviewing accounting
18 entries associated with hedging transactions.

19 **Q. What is the Company's position with respect to each of the accounting**
20 **adjustments to the end-of-period balance in Piedmont's Account No.**
21 **253.04 set forth in the testimony of Mr. Barnette?**

1 A. We have carefully reviewed Mr. Barnette's proposed adjustments and, after
2 completion of such review, we agree that each of these adjustments is
3 appropriate.

4 **Q. What is the Company's position on the LNG Tank Inventory issue**
5 **discussed in Mr. Barnette's testimony and noted in Ms. Flynt's?**

6 A. Following discussions with the ORS where they identified concerns with
7 the substantiation for certain LNG inventory adjustments associated with
8 Piedmont's Charlotte and Four Oaks LNG facilities, Piedmont conducted
9 an investigation into these adjustments.

10 **Q. What was the result of that investigation?**

11 A. We discovered that the adjustments were based on physical inventory
12 measurements made by the Piedmont employees engaged in operating the
13 LNG facilities. These physical measurements revealed that the actual
14 inventory levels for LNG in storage at the Charlotte and Four Oaks
15 facilities were different than the LNG inventory levels carried on
16 Piedmont's books thereby causing an adjusting entry to be made in
17 Piedmont's gas cost accounting system. It is these adjustments that the
18 ORS has questioned.

19 **Q. How did the need for these adjustments arise?**

20 A. As a general statement, these adjustments were necessary to reconcile
21 Piedmont's actual inventory of LNG at these facilities with its gas cost

1 accounting for those inventories.

2 **Q. Can you explain the nature of the adjustments for the Charlotte LNG**
3 **facility?**

4 A. Yes. Based on our investigation it appears to us that the Charlotte
5 adjustments -- which net out to a 10,849 dekatherm reduction -- are the
6 aggregate result of boil-off miscalculations, variations in the heat content
7 of gas injected or withdrawn from storage, and coding errors when
8 inventory levels or transactional data related to the LNG facilities were
9 recorded into Piedmont's gas cost system.

10 **Q. Can you explain the nature of the adjustment for the Four Oaks LNG**
11 **facility?**

12 A. Yes. In the case of the Four Oaks facility, which was acquired from NCNG
13 several years ago, the 125,246 dekatherm adjustment was in large part the
14 result of an incorrect initial inventory level reflected in Piedmont's books.
15 In other words, it appears that the actual inventory level of liquefied LNG
16 in that facility when it was transferred to Piedmont was higher than what
17 was recorded on Piedmont's books.

18 **Q. What is the net effect of the inventory adjustments identified above to**
19 **the Charlotte and Four Oaks LNG facilities?**

20 A. The net effect is that Piedmont has roughly 115,000 dekatherms more
21 liquefied natural gas in inventory than it had recorded in its gas cost

1 accounting system at the beginning of the review period. As a practical
2 matter, this benefits Piedmont's customers by reducing the average cost of
3 gas of the total LNG inventory.

4 **Q. Is Piedmont entirely satisfied with the results of its investigation and**
5 **the conclusions it has reached about these issues?**

6 A. No. In conducting this investigation, Piedmont discovered that its
7 processes for reconciling physical and book inventory levels for its LNG
8 facilities needed improvement. Specifically, Piedmont concluded that in
9 order to enhance the integrity of its accounting for LNG inventories going
10 forward, it would implement standards for regular and routine reconciling
11 entries in order to ensure that book inventories and physical inventories
12 stay in close correlation. This process will also allow the Company to more
13 accurately identify and correct inventory accounting issues.

14
15 **Q. Does this conclude your rebuttal testimony?**

16 A. Yes.